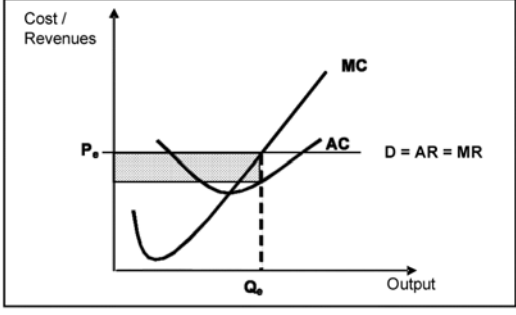
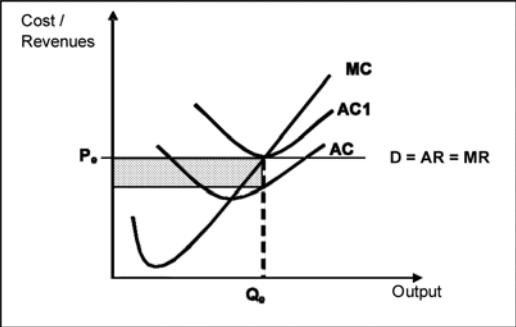
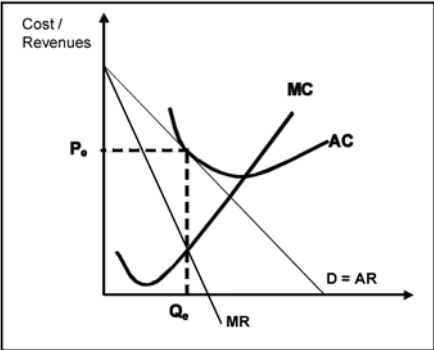


Assessment Schedule – 2007**Economics: Understand marginal analysis and the behaviour of firms (90629)****Evidence Statement**

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A1	One (a)	Oligopoly	Correct answer.		
A1	(b)	Different memory size / appearance / shape / battery vs rechargeable / colour / size of screen / LCD screen / high quality earphones	A correct example which must relate to MP3 players .		
A1	(c)	1. Use product-differentiated marketing 2. Strong barriers to entry 3. Some control over price, etc (NOT weak control over price)	TWO correct features. Note: If candidate gets (a) wrong can still get (c) if features match the market described in (a).		
A2 ^S	Two (a)	As more of a variable factor is added to a fixed factor , the increase in total output gets progressively less / marginal product falls.	Correct definition.		
A2 ^S or M2	(b)	Ideas of: (I) as diminishing returns sets in, it requires more resources to produce additional MP3 players, causing the MC of MP3 players to increase. (E) so larger quantity of MP3 players will be supplied only if the price rises to cover the increased marginal cost of producing them. <i>Which means diminishing returns causes the upward sloping supply (Q)</i>	A partial answer that has EITHER the I OR the E point. Answer must relate to MP3 players .	Has BOTH I AND E points in explanation.	

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence																					
A2 ^d	Three (a)	The extra enjoyment / satisfaction received by consuming an extra unit .	Correct definition.																							
A2 ^d	(b)	<table><tr><th colspan="3">Table 1. Sam's Utility Schedule for DVDs</th></tr><tr><th>Quantity Purchased</th><th>Total Utility</th><th>Marginal Utility (\$)</th></tr><tr><td>0</td><td>0</td><td>–</td></tr><tr><td>1</td><td>750</td><td>750</td></tr><tr><td>2</td><td>1 350</td><td>600</td></tr><tr><td>3</td><td>1 770</td><td>420</td></tr><tr><td>4</td><td>2 070</td><td>300</td></tr></table>	Table 1. Sam's Utility Schedule for DVDs			Quantity Purchased	Total Utility	Marginal Utility (\$)	0	0	–	1	750	750	2	1 350	600	3	1 770	420	4	2 070	300	THREE correct entries in TU / MU columns.		
Table 1. Sam's Utility Schedule for DVDs																										
Quantity Purchased	Total Utility	Marginal Utility (\$)																								
0	0	–																								
1	750	750																								
2	1 350	600																								
3	1 770	420																								
4	2 070	300																								
M2	(c)	Working eg $\frac{600}{30} = \frac{100}{5}$ Answer = 2 DVDs		Correct quantity identified and show working.																						
A2 ^d or M2	(d)	Ideas of: (I) Sam's willingness to buy a DVD depends on the MU he receives from it and the price (ie Sam won't buy a DVD if the price is > MU) (E) Given that the MU for DVDs falls as the quantity consumed increases (ie Law of diminishing MU), the price must fall (to match the lower MU) before Sam will buy larger quantities <i>So Sam's demand curve for DVDs slopes downward to the right (Q).</i>	A partial answer that has EITHER the I OR the E point. Must mention Sam and DVDs.	Has BOTH I AND E points in explanation. Must mention Sam and DVDs.																						

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence
A3*	Four (a) (i) (ii)		Correctly draws MC, and labels P_e , and Q_e .		
A3	(a) (iii)		Correctly draws AC, and shades super normal profit.		
A3 or M3*	(b)	<p>Ideas of:</p> <p>(I) Individual dairy farmers are price takers as they produce very small quantities (relative to the dairy industry);</p> <p>(E) as a result they can sell all they're able to produce at the market price (even their entry or exit from the market will have no impact on market price)</p> <p><i>So the demand curve they face is a horizontal (constant) line at the market price (Q)</i></p>	A partial answer that has EITHER the I OR the E point.	Has BOTH I AND E points in explanation.	
A2 ^S	(c)		AC correct shape, moved upwards, labelled (eg AC1), and intersects MC at its minimum.		
A3 or M3*	(d)	<p>Ideas of:</p> <p>(I) A perfectly competitive firm produces where $(MR=) P = MC$ (as this is where they maximise profit)</p> <p>(E) And since an increase in fixed costs has no impact on P or MC in the short run</p> <p><i>The dairy farmer will make no change to output if fixed costs rise (Q)</i></p>	A partial answer that has EITHER the I OR the E point.	Has BOTH I AND E points in explanation.	
E3	Four (a) (i + ii) (b) (d)	A3* M3* M3*			All THREE

Code	Question	Evidence	Achievement	Achievement with Merit	Achievement with Excellence																														
A3#	Five (a) (i) (ii)		Correctly draws MC AND $P_e + Q_e$ correctly located.																																
A3	(a) (iii)		Correctly draws AC to show normal profit.																																
A2 ^S	(b) (i) cost	<table><tr><th>Output</th><th>TC</th><th>AC</th><th>MC</th><th>TR</th><th>MR</th></tr><tr><td>2</td><td>170</td><td>85</td><td>25</td><td>160</td><td>70</td></tr><tr><td>3</td><td>190</td><td>63.33</td><td>20</td><td>210</td><td>50</td></tr><tr><td>4</td><td>220</td><td>55</td><td>30</td><td>240</td><td>30</td></tr><tr><td>5</td><td>270</td><td>54</td><td>50</td><td>250</td><td>10</td></tr></table>	Output	TC	AC	MC	TR	MR	2	170	85	25	160	70	3	190	63.33	20	210	50	4	220	55	30	240	30	5	270	54	50	250	10	THREE correct in cost columns.		
Output	TC	AC	MC	TR	MR																														
2	170	85	25	160	70																														
3	190	63.33	20	210	50																														
4	220	55	30	240	30																														
5	270	54	50	250	10																														
A3	(b) (i) revenue		TWO correct in revenue columns.																																
A3	(b) (ii) (iii)	ii = monopoly iii = idea that MR is decreasing (as quantity increases)	BOTH correct.																																
A3 or M3#	(c)	Ideas of: (I) At 2, $MR(70) > MC(25)$ (E) so the firm is missing out on marginal profits that could be earned between output levels 2 and 4 (where $MR = MC$) <i>And so can't be maximising total profit (Q)</i>	A partial answer that has EITHER the I OR the E point.	Has BOTH I AND E points in explanation.																															
A3 or M3#	(d) (i + ii)	Ideas of: (I) Decrease price (to \$60 [as this is the AR at 4 units of output]) (E) Because the firm faces a downward sloping Demand curve, meaning consumers will buy more units only if the price falls (to match their lower MU's at higher quantities consumed) <i>So the pricing decision is to lower the price (Q)</i>	A partial answer that has EITHER the I OR the E point.	Has BOTH I AND E points in explanation.																															
E3	Five (a) (i + ii) (c) (d)	A3# M3# M3#			All THREE																														

Judgement statement

Achievement	Achievement with Merit	Achievement with Excellence
1 × A1 1 × A2s 1 × A2d 1 × A3 6 other A or M or E	1 × A1 1 × A2s 1 × A2d 1 × A3 1 × M2 1 × M3 6 other A or M or E	1 × A1 1 × A2s 1 × A2d 1 × A3 1 × M2 1 × M3 1 × E3 6 other A or M or E
<p style="text-align: center;">Codes A1 refers to the first criterion. A2 and M2 refer to the second criterion. The subscript 's' refers to supply. The subscript 'd' refers to demand. A3, M3 and E3 refer to the third criterion.</p>		